

(5) At the time of the hearing the applicant remained silent as to the assignment of a discovery allowable, per Division General Rule 509, for the above-described Chambers "7" Well No. 1, as indicated by the heading of this order or as advertised; therefore, that portion of this application can be dismissed.

(6) Also, since many of the requests by Chesapeake in this matter are somewhat redundant with respect to established Division rules, procedures, and policies, as well as standard industry practices, it will be necessary to revise the application in order to address those issues that require a formal Division directive issued subsequent to a hearing.

(7) That portion of Chesapeake's application seeking a pool creation can be dismissed at this time since Division Order No. R-10776 has already addressed the formation of a new pool for Strawn production attributable to its Chambers "7" Well No. 1.

FINDING: *Any order issued in this matter should therefore apply to the Northeast Shoe Bar-Strawn Pool as created and defined by said Division Order No. R-10776.*

(8) The technical evidence presented by the applicant at the time of the hearing indicates that production from the Chambers "7" Well No. 1 is characteristic of other Strawn oil production in the general area such as the West Lovington-Strawn Pool, South Big Dog-Strawn Pool, Northeast Lovington-Pennsylvanian Pool, and Humble City-Strawn Pool, which are primarily Strawn oil producing pools, all of which produce from localized highly porous algal reef mounds within the Strawn formation. Chesapeake's evidence further indicates that the Strawn formation encountered in the above-described well is of high permeability and is capable of draining an area in excess of 40 acres.

(9) The proposed 330-foot set back requirement is a departure from the established set-back requirements for 80-acre pools which restricts well locations to an area of 150 feet radius of the center of either quarter-quarter section or lot that comprise a single 80-acre unit.

(10) Numerous location exceptions have been granted over time, not only in the above-mentioned pools but in most of the pools in southeastern New Mexico where these patch reefs/algal mounds are the trapping source of production within the Strawn formation, based on geology so as to increase the likelihood of a well intercepting these small localized geologic features thereby increasing the chances of a well becoming commercially productive.